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Independent Labour Party
(Great Britain)

Railway facts and figures

[London]

[1923]

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RAILWAY FACTS AND FIGURES

1. Profits and Wages

The present demand of the railway companies for wage reductions is a first-class illustration of how private ownership invariably puts profits and dividends before human comfort and welfare.

Financial
Times
Supplement,
Jan. 1, 1923

A Railway Manager's Views. Felix J. C. Pole (General Manager Great Western Railway), "... inevitably when the turn of the tide came, railway companies were pressed—as they are still being pressed—to reduce their charges to the public. They have been compelled—to use a Government phrase—'to explore every avenue' whereby expenses might be cut down, and the most obvious of these is that of wages."

As everyone knows, it is one thing to put money into a man's pocket, but quite a different thing to take it out."

PITY THE POOR SHAREHOLDER!

Railway companies have recently presented their accounts for 1922. Everywhere shareholders are rejoicing over "record" dividends.

	<i>Some Examples.</i>	1922.	1913.
		per cent.	per cent.
Times Feb. 17, 1923	G.N. Rly. Deferred	7	3
	G.W. Rly. Ordinary	8	6½
	L. & N.W. Rly. Ordinary	8½	7
	Midland Ordinary	8½	6½

NOTE. These dividends are really bigger than they seem. The total issued capital of British Railways was £1,327,500,000 in 1920. Of this £201,000,000 (nearly 16 per cent.) was watered capital.

How John Citizen Pays.

The user of the railways not only pays in heavy fares and rates, but in taxation.—*Railway companies received £60,000,000 from the Government as compensation for war-time control.* The excuse was heavy war losses. Yet, during this period, all companies enormously increased their reserves. How?

	1914	1922
	£	£
Morning Post, Feb. 19, 1923	RAILWAY RESERVES.	
	Great Central	425,000
	Great Eastern	833,000
	Great Western	2,742,000
	L. & N.W. Rly.	3,316,000
	Midland	4,358,000
		18,892,000

NOTE. 11 of the biggest companies increased their reserves from £15,500,000 in 1914 to £109,504,000 in 1922. Increase 706 per cent. These reserves include the £60,000,000 Government compensation, but in addition it is evident that enormous assets have been piled up since the beginning of the war.

Why were these gigantic reserves created? Only possible reason to hide profits and screw more out of the Government at the end of the war.

"It is impossible, however, now that these compensations have been paid and the railway accounts have been published, not to feel that the railway shareholder has been treated well."

THE SHAREHOLDERS MAGNA CHARTA.

Private system of railway ownership incredibly inefficient. Overlapping and general wastefulness of 120 odd railways caused Government to take action. Nationalisation was the only honest way out.

Vested interests stamped the Government. Winston Churchill declared that "the Government policy was the nationalisation of railways"—But private interests revolted and the grouping system was proposed to stave off national ownership and to safeguard the interests of the shareholder.

Government intervention has now made railway stocks gilt edged securities as can be seen by increased values:—

£100 stock.	Dec. 30, Dec. 29,	
	1921	1922
Caledonian Ordinary	32	67½
Great Western Railway	73	108½
North Eastern	72	124½
South Eastern Ordinary	37	65

THE ATTACK ON THE WORKERS. Despite all this overwhelming evidence of railway companies increased prosperity, the workers are now threatened with general reductions despite the fact that they have already sacrificed a portion of the gains which followed the 1919 strike. In April, 1922 they agreed to increase the sliding scale reduction from 1s. to 2s. for every five points fall in the cost of living.

Railwaymen must not be allowed to go back to pre-war conditions. Average Earnings (including overtime pay) in 1912 were 2's. 4½d. per week.

RAILWAY DIRECTORS SHARE. Compare the above with railway directors fees. In 1911 there were more than 1,400 directors in United Kingdom all drawing substantial salaries. The grouping system fortunately reduces this burden on the industry, but the retiring directors have to be substantially compensated. Example. L. & N.W. Rly., 7 retiring directors will receive between them £24,430, an average of £3,490 each.

2. The Grouping System

Private enterprise brought the railway system to the verge of ruin—it was public enterprise and foresight which rescued the railway system from bankruptcy and chaos.

In 1918 a Parliamentary Select Committee reported that the essential conditions of railway success were "single ownership and single management." The State was compelled to step in and introduced a grouping system which, according to Sir Eric Geddes, will save the railway companies twenty millions per annum.

Saving Private Ownership.

"The scheme may however be accepted as a compromise between Nationalization pure and simple and the return to the status before the war. The principle of private ownership and operation has happily been saved."

The State not only saved the principle of private ownership, but also put the companies in a privileged position as regards profits and prices.

Grouping Advantages

(a) RAILWAY RATES to be fixed by Railway Rates Tribunal. Each group will be entitled to levy such rates as will produce the equivalent of the 1913 net revenue of the constituent companies plus adequate remuneration on new capital expenditure.

According to Mr. Somerfield the choice of 1913 as the datum level was largely dictated by the fact "that it was also the best year in the history of our railways so far as the actual amount of available net revenue is concerned."

NOTE. Danger of companies cooking figures when arriving at railway rates and fares.

Finlay Gibson, Secretary South Wales Coalowners: "This is a matter as far as I know entirely within the discretion of the railway companies, but they must see that their statistics will remain *unsatisfactory and unconvincing* until they are made more complete by the publication of working costs."

Sir William Acworth (himself a railway expert and director): "I confess to thinking that the railway companies would be wise in their own interests, instead of publishing perfectly useless estimates of gross receipts, to publish once a month the figures of gross receipts, expenditure and net receipts."

(b) INCREASED VALUES. Shareholders in smaller railways who have received the stock of one of the groups in return for their old shares "have the advantage of receiving exchange stocks which are not only far more readily saleable and likely to rise in value, but have considerably better security behind them."

Financial News, 17/3/23 carefully analyses the dividend prospects of the London, Midland and Scottish group and concludes: "On this basis the L.S. & M. could pay 9 per cent. on the ordinary stock and carry forward just under a million."

(c) EXORBITANT COMPENSATION. The Government took possession of railways during war under an Act of 1871, which laid down that the Government guarantee should cover a period of two years after the termination of a war. Actually companies were guaranteed for two years and nine months: "... the companies will

have the benefit of a State guarantee for a considerable length of time beyond that justified by the military needs of the country. This latter period will have included a railway strike, a coal strike and a serious trade depression, the effects of which, even with railway rates at an economic level, would in the absence of a State guarantee have been felt by railway shareholders in the form of reduced dividends."

(d) TRUSTIFYING THE RAILWAYS. The companies have secured an absolute monopoly yielding guaranteed dividends. Private ownership is supposed to rest on competition and individual enterprise, but the railway lords intend to end all that. QUOTE *Lord Ashfield*, Underground group Annual Meeting: "Competition is a dangerous weapon. It may seem to offer immediate gains, but they are at the expense of future losses."

3. Nationalise the Railways

Elimination of wasteful competition is a desirable development, but railways must not control the community—the community must control the railways.

NOTE. The following facts and figures are largely pre-war. The changed conditions due to the war and the absence of reliable data makes present day comparisons difficult, but the old figures present quite a fair contrast between the advantages of public as opposed to private ownership.

(a) RAILWAY NATIONALISATION.

Countries in which the State owns all or nearly all the railway system:—

Germany	Norway	New Zealand
Belgium	Russia	Australia
Switzerland	Japan	S. Africa
Italy	China	Egypt
Austria	Mexico	

Other countries with State Railways:—

Denmark $\frac{1}{2}$	France	Argentina
Sweden $\frac{1}{2}$	Chili	Brazil
Canada $\frac{1}{2}$		

Countries without State Railways:—

Great Britain	Spain	United States
Ireland	Portugal	

(b) ADVANTAGES OF STATE OWNERSHIP.

(1) *Cheaper Travelling.* The unification of the railway system and the abolition of duplicated train services reduces working costs, and means cheaper fares.

Fares in 1914.	s.	d.
London-Manchester Return (270 miles) 3rd class...	30	11
Equivalent journey in Germany	20	0
" " " Belgium	14	2

In Hungary in 1905 it was possible to travel 400 miles for 8s.

	3rd.	2nd.	1st.
	d.	d.	d.
<i>Rates per Passenger mile.</i>			
Germany Pre-War	$\frac{1}{3}$	—	$1\frac{2}{3}$
U.K. Pre-War	1	—	2
Australia 1920 for 100 mile journey	—	$1\frac{1}{2}$	2
U.K., 1920	$1\frac{1}{2}$	—	$2\frac{1}{2}$
London to Edinburgh, 1923 1st single (392 m.)...	£4	1	8
Halifax to Quebec (Can. Nat.) 1923 1st single (674 m.)	£2	3	5
per mile	$\frac{1}{4}$ d.		

(2) *Better Travelling Facilities.* Private companies do not time trains to connect with those of other lines. On a State Railway tickets are issued to every part of the country.

(3) *Cheaper Goods Rates.* In 1905 the rates in Germany were about half those of the United Kingdom.

Average charge for 1 ton per 100 miles.

	s.	d.
United Kingdom, 1905	10	0*
German State R., 1905	5	6
Trans Australian State R. Agricultural Prod., 1920 ..	12	2

*(In 1920 rates in U.K. 100 per cent. over Pre-War.)

(c) DISADVANTAGES OF PRIVATE OWNERSHIP.

(1) *Inefficient and Expensive Working.*

(a) Competing companies often run two trains where only one is needed, and more rolling stock is required.

	Germany.	U.K.
No. of locomotives per 100 km. of line ...	40	62
coaches " " " "	80	139
passengers per train.....	74	41

(b) Private ownership of wagons which must be returned empty adds 100 per cent. to the shunting expenses (Sir E. Geddes).

(c) Canvassing and advertising expenses are almost nil on a State Railway and the cost of collection of goods are less than with private companies.

(d) *Clearing House Expenses.* When passengers or goods are carried over several lines, the revenue has to be divided amongst the companies, involving an immense amount of unnecessary labour and expense. Under the grouping system this cost is reduced, but on a State railway it would be entirely eliminated.

Arguments Against Nationalisation

CANADA AS A CASE IN POINT. *Times*, April 20, 1922 stated that Canadian National Railways made a loss of nearly \$80,000,000 during 1921.

The Facts.

(i) These railways have largely been built in order to develop sparsely inhabited country, and therefore cannot be expected to make profits until this object is achieved.

(l) The National Railway System has taken over from time to time railways started by private enterprise, that have become more or less bankrupt. The latest of these concerns to be taken over: is the Grand Trunk Railway. With regard to this, the following quotation is interesting:—

"Feathering Their Nests."

"The action of the Grand Trunk directors in feathering their nests when the transfer of the railway system to the Canadian Government was agreed to, seems only now to have come to the knowledge of the Canadian public. As a matter of fact, it was not known to many of the Grand Trunk stockholders themselves until disclosed in our columns. The remarkable resolution, which gave to the directors some £34,000 as 'compensation for loss of office,' was submitted, we believe, at the very end of the meeting called to confirm the transfer of the railway, at a moment when the essential business was supposed to have been disposed of. Few of those who attended the meeting could have been aware of the resolution. Certainly had the junior stockholders known that the egregious mismanagement of their property by those same directors was subsequently to be made the pretext for declaring their holdings to be of 'no value,' the proposal to grant any compensation whatever for 'loss of office' would not have found many supporters."

Following the acquisition of the Grand Trunk, the National Railways are being thoroughly reorganised. Already an operating deficit of \$32,500,000 in 1920 has become an operating surplus of approximately \$4,000,000 in 1922.

The Economist (a leading financial paper), reviews very favourably the prospects of the reorganised system. It points out however that Canadian Railway difficulties are due not to any question of public or private enterprise but to the fact that in a largely undeveloped country railways have to make the traffic and open up the unexploited areas.

"The real trouble is that Canada has to-day thrice as much physical machinery as her population needs, and there is not enough traffic to go round. Heretofore the Canadian Pacific Railway has enjoyed enormous advantages through its internal consolidation and its very efficient management, but there are shrewd observers who think that the national system may be able at no distant date, thanks to the possession of certain special advantages, to hold its own with the C.P.R., and even to challenge its present superiority."

4. The Industrial and Political Influence of Railway Directors

(a) *Industrial.* Railway directors, with few exceptions, are not railway experts. They largely represent big banks, insurance companies, financial syndicates, shipbuilding and shipping, and

the coal, iron and steel industries, which also dominate the F.B.I. Rates are consequently comparatively low for heavy industrial produce, while agriculture, which is almost entirely unrepresented on railway boards, is severely handicapped by cost of transport.

NOTE. Fred. Hiam (large Cambridgeshire farmer), points out that industries connected with the F.B.I. receive favourable treatment as compared with agriculture since "several of the largest commodities connected with their industries—commodities which are of a higher value per ton than the bulk of vegetables—have already an advantage over vegetables of approximately 75 per cent. cheaper railway rates."

(b) *Political.* The grouping system has considerably reduced the number of directors, but the companies are still adequately represented in both the House of Lords and the House of Commons, *where they will mind their own business as heretofore.*

Appended are some typical quotations from railway directors speeches in the House of Commons during the progress of the Railways Bill:—

THE MEMBER FOR THE GREAT NORTHERN.

Sir Frederick Banbury, M.P. "Speaking for the Great Northern Railway"

VISCOUNT ELVEDEN, M.P. (L. & N.W. RLY.)

Sir Frederick Banbury: "We really must not found all the provisions of the Bill on the supposition that every company is in the same position as the company so ably represented by my noble friend."

Viscount Elveden: "I represent Southend-on-Sea."

Sir F. Banbury: "And also something else and both extremely well."

Lt. Col. A. Murray, M.P.: "Everyone of us here represents large trading interests and we are anxious for everything that will safeguard those interests."

SUMMARY. The railway system is too important a national service to be the prey of narrow commercial interests. Its useful development is an affair of public importance. Lloyd George told Trades Union Congress Parliamentary Committee, "He was certain that they could not go back to the old system." The grouping scheme is a last attempt to save the bad old system of private ownership. It will fail. Nationalization is the next step.

Times
Feb. 8, 1923

Official
Reports of
Standing
Committees
House of
Commons,
June 15, 1921
June 23, 1921
July 6, 1921

Mar 20, 1918

*Investors
Chronicle*
April 7, 1923

Economist
Mar. 31, 1923

ditto



BUSINESS AND POLITICS

(The following table which has been specially prepared by the I.L.P. Information Committee is a revision of the figures which were given in Weekly Note 188, and has been brought up to the end of March, 1923, with the addition of an analysis of the House of Lords.)

Section	No. of Companies in Section	No. of Directorates held by M.P.'s				No. of Directorates held by Peers
		Unionist	Lib.	Nat. Lib.	Total	
Banking	48	17	2	2	21	79
Breweries	45	29	0	3	32	25
Railways & Canals	65	18	2	0	20	78
Chemicals	21	9	2	3	14	8
Coal, Iron & Steel	89	44	4	8	56	53
Engineering	86	39	4	2	45	57
Insurance	103	46	5	5	56	129
Investment Land & Finance	131	39	5	7	51	102
Light & Local Transport...	55	37	0	2	39	20
Mining	65	16	1	2	19	52
Newspapers	30	11	9	2	22	10
Oil	50	36	3	0	39	23
Plantation	24	6	4	1	11	15
Shipping	104	45	8	7	60	81
Miscellaneous	302	142	17	13	172	156
	1,218	534	66	57	657	888

* This figure includes foreign railways.

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